

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 MMO-04 PA-02 PRS-01 DODE-00 OES-07

AGRE-00 /105 W

-----013025 201624Z /50

R 201130Z JUN 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8685

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY SANA

AMEMBASSY TEHRAN

AMCONSUL DHAHRAN

USLO RIYADH

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E.O. 11652: N/A

TAGS: ECRP, EFIN, EINV, EIND, EAGR, ENRG, SA

SUBJ: NEW SAUDI BUDGET

REF: JIDDA 3269

1. SAG HAS JUST ANNOUNCED SURPLUS BUDGET FOR NEW FISCAL YEAR WHICH STARTED JUNE 17. SURPLUS OF ANTICIPATED REVENUES (\$41,558 MILLION) OVER APPROPRIATED EXPENDITURE (\$31,603 MILLION) ARE TO BE TRANSFERRED TO STATE RESERVE- I.E. SAMA'S OVERSEAS INVESTMENTS.

2. CENTRAL THESIS OF NEW BUDGET IS EFFORT TO LIMIT INFLA-
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TION THROUGH CONTROL OF GOVERNMENT EXPENDITURES. THIS WILL BE THIRD YEAR AT WHICH BUDGET HAS BEEN HELD AT APPROXIMATELY SAME LEVEL; NEW YEAR APPROPRIATIONS ARE LESS THAN ONE HALF PERCENT HIGHER THAN LAST YEAR'S GIVEN PAST SAUDI INFLATION RATE OF OVER 30 PERCENT PER YEAR, AND INCREASING ACTUAL EXPENDITURES (ESTIMATED BY SAMA FOR FISCAL YEAR ENDED TO BE IN VICINITY OF 95 PER-

CENT OF \$31,470 MILLION BUDGET), NEW BUDGET WILL FOR FIRST TIME ACTUALLY BITE INTO SAG SPENDING EXPECTATIONS. THERE HAS, IN ADDITION BEEN A SLIGHT TIGHTENING UP ON CONTROL MECHANISMS ANNOUNCED WITH NEW BUDGET. EFFECT OF REDUCED RATE OF GROWTH IN GOVERNMENTDISBURSEMENTS, SAG HOPES WILL BE TO REDUCE EXPANSION OF MONEY SUPPLY, ENCOURAGE SOME PRIVATE CAPITAL EXPORT FROM OVERLY LIQUID AND REAL-ESTATE CENTERED BANKING SYSTEM. FREE UP LARGER PROPORTION OF AVAILABLE SUPPLIES FOR PRIVATE SECTOR PURCHASERS, AND GIVE PRICE CONTROLS A CHANCE TO TAKE HOLD IN MORE BALANCED SUPPLY/DEMAND SITUATION.

3. DETAILS OF BUDGET ARE WRAPPED IN USUAL OBFUSCATION SURROUNDING ECONOMIC MATTERS HERE, AND PUBLISHED FIGURES TO DATE ARE INCOMPLETE AND PERHAPS DELIBERATELY MIS-LEADING. NONETHELESS, A TENTATIVE TABLE OF ECONOMIC AND BUREACRATIC WINNERS AND LOSERS CAN BE DRAWN UP. PROJECT HUDGET CONTINUES TO TAKE TWO THIRDS OF BUDGET, AND EMPHASIS WILL BE ON INFRASTRUCTURE DEVELOPMENT. GOVERNMENT OPERATIONS BUDGETS WERE KEPT AT APPROXIMATELY SAME LEVEL AS PREVIOUS BUDGETS IN SPITE OF MAJOR INCREASE IN COSTS DUE TO RECENT GOVERNMENT EMPLOYEE PAY INCREASES. BIGGEST INCRESE IN APPROPRIATEIONS, IN FACT, WENT TO STATE EMPLOYEES, WHOSEPAYROLLS WILL REACH \$4.8 BILLION IN NEW BUDGET FROM \$2.6 BILLION LAST YEAR. MOST MINISTERIAL BUDGETS APPEAR TO BE FUNDED AT APPROXIMATELY UNCLASSIFIED

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THE SAME OR PUBLISHED FIGURES ARE NOT FULLY COMPARABLE. BUT GIVEN THE BITE TAKEN BY COST INCREASES, AND THE FACT THAT MANY NEW PROJECTS WOULD HAVE BEEN ENTERING THE MAJOR SPENDING PHASES THIS YEAR. THE APPROPRIATIONS IN MANY CASES WILL REPRESENT A CONSIDERABLE REDUCTION IN REAL ABILITY TO EXECUTE PROJECTS.

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
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SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 MMO-04 PA-02 PRS-01 DODE-00 OES-07
AGRE-00 /105 W

-----013100 201623Z /50

R 201130Z JUN 77

FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 8686
INFO AMEMBASSY ABU DHABI
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4. DEFENSE PLUS INTERNAL SECURITY SECTOR OVERALL WILL
TAKE OVER 36 PERCENT OF APPROPRIATIONS. MINISTRY OF
DEFENSE (MODA) TOOK SMALL CUT, FROM \$9,051 MILLION TO
\$8,892 (INCLUDING AIRPORT PROJECTS), WHILE NATIONAL
GUARD AND MINISTRY OF INTERIOR BUDGETS WERE INCREASED.
CUTS IN MODA PROJECTS MAY BE SEVERE IN PLACES, WE UNDER-
STAND FOR EXAMPLE, THAT CONSTRUCTION BUDGET FOR AL BATIN
MILITARY CONTONMENT HAS BEEN SLASHED FROM \$482 MILLION
REQUESTED TO ACTUAL APPROPRIATION OF \$80 MILLION.

5. THERE ARE NO MAJOR CHANGES IN BUDGETS FOR ECONOMIC MINISTRIES
AND INFRASTRUCTURE BUILDING PROJECTS AIRPORT CON-
STRUCTION HAS BEEN GIVEN SUBSTANTIAL APPROPRIATION
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\$1,300 MILLION, SEAPORTS \$2,208 MILLION, ROAD CONSTRUCTION
\$1,477 MILLION, AND OPERATING SUBSIDIES OF \$200 AND 80
MILLION HAVE BEEN GRANTED TO SAUDI AIRLINES AND THE RAIL-
ROAD RESPECTIVELY. THE JYBAYL AND YENBO PROJECTS HAVE BEEN
GIVEN THEIR FIRST SUBSTANTIAL PROJECT BUDGET, OF \$1,183
MILLION. THE DESALINATION PROGRAM WILL BE FUNDED AT
APPROXIMATELY THE SAME LEVEL AS LAST YEAR, AND THE OVERALL
AGRICULTURAL SECTOR BUDGET IS UP MARKEDLY, FROM \$662
MILLION TO \$1,247. MILLION. (MOST OF THE INCREASEHOWEVER,
SEEMS TO BE FOR IMPORTED FOODSTUFF SUBSIDIES.) THE ONLY
MINISTRIES, OTHER THAN MODA, WHICH APPEAR TO HAVE LOST
GROUND WERE THOSE OF MUNICIPAL AND RURAL AFFAIRS, AND
HOUSING. THERE ARE NO FIGURES PUBLISHED FOR FOREIGN AID
APPROPRIATIONS.

6. COPY OF PUBLISHED BUDGET FIGURES WILL BE POUCHED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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SAS ID: 2098219
Secure: OPEN
Status: NATIVE
Subject: NEW SAUDI BUDGET
TAGS: ECRP, EFIN, EINV, EIND, EAGR, ENRG, SA
To: STATE
Type: TE
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